

DATE: April 28, 2011

TO: CVRC Board of Directors

VIA: Gary Halbert, Chief Executive Officer *(Signature)*

FROM: Maria Kachadoorian, Chief Financial Officer

SUBJECT: Proposed FY 2011-12 Redevelopment Agency Operating and Capital Improvement Budget

EXECUTIVE SUMMARY

On May 24, 2011, the Finance Department will present a comprehensive budget package to the City Council and Redevelopment Agency for fiscal year 2011-12. This report provides a summary of the key elements of the budget package that affect the operations of the CVRC and Redevelopment Agency, which is included as Attachment "A" to this report.

RECOMMENDATION:

Adopt the resolution recommending that the Chula Vista Redevelopment Agency adopt the proposed operating and capital improvement budget for the Redevelopment Agency and Housing Authority for Fiscal Year 2011-12.

DISCUSSION:

The proposed budget for Fiscal Year 2011-12 has been prepared in accordance with the strategic objectives outlined in the Redevelopment Agencies Five Year Implementation Plan, approved on December 15, 2009. To increase both the effectiveness and accountability of redevelopment agencies State Redevelopment Law (Health & Safety Code §33490) requires Agencies to adopt five year implementation plans for all adopted project areas. The plan established five year work programs for each redevelopment project area that are based on three consistent strategic objectives:

- ⇒ Plans & Policies. Redevelopment is a catalyst and tool to pursuing a vision that is set forth by City leaders through land use plans and policies. The City's land use plans and policies set the stage for public improvements and key catalyst projects created through redevelopment.
- ⇒ Public Infrastructure & Amenities. By constructing new and upgrading existing infrastructure, the Redevelopment Agency can greatly advance the revitalization goals of the City while creating an environment that attracts capital and is more readily responsive to market opportunities.
- ⇒ Key Catalyst Projects. By strategically focusing and leveraging resources on key "catalyst projects," redevelopment can more effectively attract private investment.

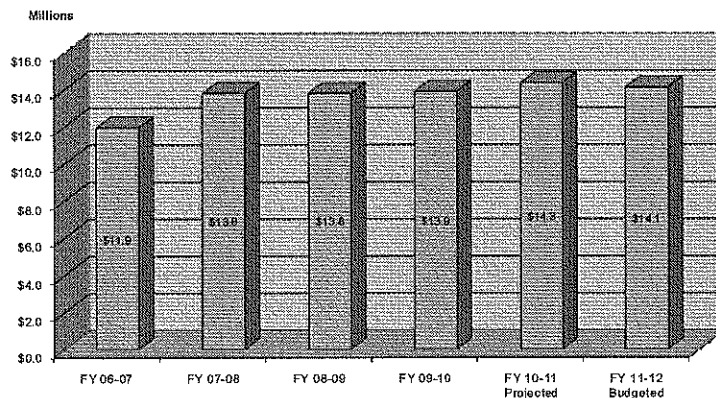
The 2010-2014 Five Year Redevelopment Implementation Plan provides an important strategic planning tool for the CVRC and Redevelopment Agency to promote the revitalization and redevelopment of western Chula Vista. It identifies critical activities and projects during the next five years that will facilitate the successful redevelopment of the City, including the financing and construction of important public infrastructure projects and amenities, the implementation of economic development initiatives to support the existing local business community and attract new businesses, the leveraging of private investment to western Chula Vista, and the prioritizing of Redevelopment Agency activities to provide needed services and public improvements to the community. The proposed Fiscal Year 2011-12 budget provides the necessary funding to finance the critical activities identified within the Five Year Implementation Plan. Some of the activities being undertaken during FY 2011-12 are:

- Bayfront/ Town Center I
 - Funding City Staff to implement the Bayfront Master Plan.
 - Negotiate and enter into development agreements with Pacifica Companies.
 - Prepare a plan amendment to extend the timeline to collect Tax Increment by 10 years for Town Center I and Bayfront.
 - Work with Sweetwater High School District to develop new Administrative headquarters.
 - Redevelop the Agency owned lot on the corner of Third and E Street.
 - Finance the construction of the Third Avenue Streetscape Master Plan
 - Implement the Business Improvement Grant (BIG) program

- Merged Project Area
 - Develop the former City Corporation Yard
 - Finance the development of the Main Street Streetscape Master Plan
 - Implement the Southwest Residential Rehabilitation Pilot Program
 - Administer the EPA Brownfield Grant program
 - Support the expansion of the Chula Vista Auto Park
 - Implement the Business Improvement Grant (BIG) program
 - Support small business programs

Redevelopment Agency Revenues

In accordance with California Redevelopment Law, a Redevelopment Agency obtains funding for its redevelopment projects through a property tax apportionment method called "tax increment financing." Tax increment is available for re-investment in the project area and may be used to pay off any debt created in implementing the Redevelopment Plan. Tax increment does not create new taxes; it simply redistributes the growth in the annual tax base within the project area. For FY 2011-12 the Agency estimates it will receive **\$14.1 million** in gross tax increment revenue.



All tax increment monies generated are allocated among three basic public uses: (1) Affordable Housing, (2) Schools and Other Public Agencies, and (3) Redevelopment Activities (debt, administration, development agreements and capital improvement projects.)

Housing Funds

California Redevelopment Law requires a Redevelopment Agency to set aside a minimum of 20 percent of all gross tax increment revenues generated within its Project Areas to a separate fund which is to be used exclusively for the preservation, improvement and expansion of the low and moderate income housing supply within the community. In FY 2011-12, the Agency estimates the set aside amount to be approximately **\$2.8 million**. These funds will be used to implement and administer housing programs and projects.

The Agency will concentrate on housing activities that are most applicable to the Agency's goals and objectives. In developing its affordable housing program, the Agency has been guided by the goals and objectives of the City's Housing Element and Implementation Plan. The Agency will utilize Low and Moderate Income Funds and Housing Authority resources to support and advance the overall housing program.

Other Expenses

Other expenses, as represented in the redevelopment budget, including all pass-through payments to taxing agencies, development agreement obligations, city staff services and property tax administration fees (**\$0.2 million**) charged by the County.

Schools and Other Public Agencies or Pass Through Payments

Pass through payments are required by state law to be made to taxing entities to ensure they are not negatively affected by a redevelopment plan. The taxing entities, which receive payments, are the Sweetwater Union High School District, the County Office of Education, the Chula Vista Elementary School District, Southwestern Community College and the County of San Diego, totaling an estimated **\$2.4 million** in pass through payments for FY 2011-12.

Development Agreements

In addition to pass through payments, the agency has budgeted about **\$0.3 million** for obligations outlined in an agreement entered into in 1999 with the Goodrich Aero Structures Group (Relocation Agreement) and the Cooperative Remediation Agreement entered into in 2010.

City Staff Services and Overhead

The City staff services and overhead represent expenditures for other city department staff services other than Redevelopment and Housing such as City Attorney, City Clerk, Human Resources, Planning, Engineering,

Information Technology and building usage charges. The total estimated cost for these city staff services in FY 2011-12 is approximately **\$0.5 million**.

Agency Personnel

The fiscal year 2011-12 budget allows staff to be directly charged to the funding source. Direct charges from other departments and a citywide overhead rate continue to be applied, but are reflected as a separate line item in the Agency budget (City Staff Service and Overhead, as described above). The total budgeted salary and benefits expense, for fiscal year 2011-12 is approximately **\$0.6 million**.

Services and Supplies

To support the redevelopment work program, costs for services and supplies are estimated for FY 2011-12 at **\$0.3 million**.

Capital Improvement Projects

The Agency on March 8, 2011 allocated \$2.5 million to the Third Avenue Streetscape Master Plan and \$500,000 dollars to the design and development of the Main Street Streetscape Improvement Program. The additional allocation to the Third Avenue Streetscape Master Plan brings the Agency contribution to the project to approximately \$4 million. These two CIP projects were intended to be funded as part of the normal 2011-12 budget cycle however, staff moved to secure funding for these projects in advance of the normal budget cycle due to the threat of the State of California taking these funds for State General Fund purposes.

In addition, for Fiscal Year 2011-12, staff proposes allocating approximately **\$0.3 million** to the Storefront Renovation Program (\$150,000) for businesses along the Broadway Corridor and (\$150,000) for businesses along the Third Avenue.

Debt

Usually, the flow of tax increment to the Agency is not sufficient to finance the full scope of redevelopment activities. Therefore, agencies issue bonds to capitalize the tax increment. The bonds work like loans that the Agency is responsible for repaying over many years. These bonds are not a debt of the City or County and are repaid solely from tax increment revenues. The Redevelopment Agency currently has about \$44,870,000 million in outstanding bonds. The total cost for debt service in FY 2011-12 will be approximately **\$4.2 million**.

General Fund Debt Repayment

A Redevelopment Agency is required to have debt in order to collect tax increment, so debt is a good thing for an Agency to maintain. A loan from a city is the most common way for an Agency who adopts a new project area to incur debt and begin collecting TI revenue. Since the inception of the first redevelopment project area in 1972 until Fiscal Year 2007-08, the Agency has incurred approximately \$30.7 million in outstanding loans from the City's General Fund. The Agency borrowed for project area start up costs, miscellaneous projects and annual debt service payments on Certificate of Participations (\$15 million) issued for a parking garage in Town Center II. Loans received from the City do not have a time period for repayment which allows the City to call the loans at anytime. Due to the City's current financial situation the Agency has made the following efforts to repay the General Fund.

At the close of **Fiscal Year 2008-09** the Redevelopment Agency repaid approximately \$5.5 million to the General Fund from the following sources:

Source	Amount
2008 Tax Allocation Bond	\$4,100,000
Unanticipated Tax Increment Revenue	\$1,400,000
Fiscal Year 2008-09 Total	\$5,500,000

For **Fiscal Year 2009-10** the Agency repaid **\$2.8 million** to the General Fund from tax increment. By the end of FY 2009-10 the Agency had reduced the outstanding loan balance by approximately \$8.3 million, leaving an outstanding balance of approximately \$22.4 million.

For **Fiscal Year 2010-11** the Agency repaid the City approximately **\$12.1 million** to the General Fund, leaving an outstanding balance of approximately **\$10.3 million**. However, when you add in annual interest accruals (\$1m for FY09/ \$0.9m for FY10/ \$0.4 for FY11) in the balance calculation the outstanding balance is approximately \$12.6 million.

Source	Amount
Sale of Real Property	\$9,630,000
2008 Tax Allocation Bond	\$ 1,000,000
Tax Increment Revenue	\$1,500,000
Fiscal Year 2010-11 Total	\$12,130,000

CONCLUSION:

The proposed annual budget has been prepared to provide the necessary funding within allowable revenues to accomplish the approved work plan contained in the 2010-2014 Five year implementation plan for the Redevelopment Agency.

DECISION MAKER CONFLICTS:

Staff has reviewed the property holdings of the CVRC Members and has found a conflict exists for Director Salas and Flores, as they have property holdings within 500 feet of the boundaries of the two Capital Improvement Projects being recommended for funding through this action.

ATTACHMENTS:

1. Proposed 2011-12 Redevelopment Agency Budget

PREPARED BY: Eric C Crockett, Redevelopment Manager, CVRC Secretary

CVRC RESOLUTION NO. 2011-

RESOLUTION OF THE CHULA VISTA REDEVELOPMENT
CORPORATION MAKING RECOMMENDATION TO THE CHULA
VISTA REDEVELOPMENT AGENCY TO ADOPT THE PROPOSED
OPERATING AND CAPITAL IMPROVEMENT BUDGET FOR THE
REDEVELOPMENT AGENCY AND HOUSING AUTHORITY FOR
FISCAL YEAR 2011-12

WHEREAS, the Chula Vista Redevelopment Corporation (CVRC) of the City of Chula Vista has received and considered the Chief Executive Officer's proposed Redevelopment Agency budget for fiscal year 2011-12; and

WHEREAS, a stated specific purpose of the CVRC is the development of recommendations regarding the strategic priorities to be programmed by the Redevelopment Agency of the City of Chula Vista through its annual budget; and

WHEREAS, the proposed annual budget submitted by the Chief Executive Officer has been prepared to provide the necessary funding to accomplish the approved work plan; and

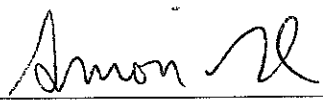
WHEREAS, housing fund expenditures for planning and administration are necessary for the production, improvement or preservation of affordable housing.

NOW, THEREFORE, BE IT RESOLVED that the Chula Vista Redevelopment Corporation does hereby recommend that the Chula Vista Redevelopment Agency adopt the proposed operating and capital improvement budget for the Redevelopment Agency and Housing Authority for Fiscal Year 2011-12.

Presented by:

Approved as to form by

Gary Halbert
Chief Executive Officer



Glen R. Googins
General Counsel

ATTACHMENT 1

**The Proposed 2011-12 Redevelopment
Agency Budget will be distributed
at the meeting of August 28th**